

Message Text

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16

ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 NEA-10 IO-13 H-03 L-03 PRS-01

PA-03 USIA-15 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 DRC-01

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P R 080305Z SEPT 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 7842

INFO AMEMBASSY BANGKOK

AMEMBASSY VIENTIANE

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USADB

BANGKOK FOR RED

E.O. 11652: ADS, DECLAS 12/31/73

TAGS: EAID, EFIN, LA

SUBJ: LAOS: NAM NGUM HYDROPOWER PROJECT, PHASE II

FOLLOWING IS TEXT OF MEMORANDUM DATED 6 SEPTEMBER
1973 FROM ADB PRESIDENT SHIRO INOUE TO U.S. DIRECTOR:
QUOTE

1. I PROPOSED, IN PARAGRAPH 11 OF DOC R45-73 OF 14
MAY 1973, THAT THE BANK SHOULD (INTER ALIA)

"FORMALLY EXPRESS TO THE ROYAL GOVERNMENT OF LAOS THE BANK'S
WILLINGNESS TO ASSIST IN MOBILIZING FUNDS FOR PHASE II AND,
WHEN ADEQUATE FUNDS ARE MOBILIZED, TO UNDERTAKE THE ROLE OF
COORDINATING THE EXECUTION OF THE PROJECT".

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THE BOARD'S APPROVAL IS REPORTED IN PARAGRAPH 2 OF DOC
M23-73 OF 19 JUNE 1973.

2. WITH THE PURPOSE OF ASSISTING IN THE MOBILIZING
OF FUNDS, THE BANK WITH THE CONCURRENCE OF THE ROYAL
GOVERNMENT OF LAOS, HAD EARLIER PROPOSED TO CONVENE A
MEETING OF POTENTIAL DONORS IN MANILA PROBABLY FROM 17 TO
19 SEPT 1973. IT NOW APPEARS, HOWEVER, THAT CONVENING
THE MEETING WILL BE DELAYED BY FEW WEEKS AND TENTATIVELY
THE MEETING IS SCHEDULED FOR 17 TO 19 OCTOBER 1973.
FORMAL INVITATIONS TO THE MEETING WILL BE SHORTLY ISSUED
TO ALL PROSPECTIVE CONTRIBUTOR GOVERNMENTS, TO THE GOVERNMENTS

OF LAOS AND THAILAND, AND TO THE MEKONG COMMITTEE.
A WORKING PAPER SETTING OUT THE VARIOUS ASPECTS OF FINANCING
AND IMPLEMENTATION OF THE PROJECT WILL BE ENCLOSED
WITH THE INVITATIONS.

3. SO FAR, THE FOLLOWING GOVTS HAVE INTIMATED,
THROUGH THEIR DELEGATIONS TO MEETINGS CONVENED BY THE
MEKONG COMMITTEE, THEIR INTENTION OF, OR INTEREST IN BEING,
CONTRIBUTORS TO THE FINANCING OF THIS PROJECT: - AUSTRALIA,
CANADA, THE FEDERAL REPUBLIC OF GERMANY, JAPAN, THE NETHERLANDS,
NEW ZEALAND, THE UNITED KINGDOM AND THE UNITED
STATES. THE EXECUTIVE DIRECTOR FOR INDIA INFORMED THE
BOARD OF DIRECTORS ON 14 JUNE 1973 THAT THE GOVERNMENT OF
INDIA IS ALSO CONSIDERING THE POSSIBILITY OF BEING A
CONTRIBUTOR. OTHER POSSIBILITIES MAY ALSO EXIST.

4. IN THE MEMORANDUM, I WOULD LIKE TO URGE,
THROUGH YOU, THAT YOUR COUNTRY TAKE INTO ACCOUNT CERTAIN
SPECIAL CIRCUMSTANCES OF THE CASE IN ARRIVING AT ITS VIEWS
ON THE QUANTUM, TERMS AND CONDITIONS OF ITS PROPOSED CONTRIBUTION.

5. LAOS, AS YOU ARE AWARE, IS ONE OF THE COUNTRIES
CLASSIFIED BY THE UNITED NATIONS AS "THE LEAST-DEVELOPED"
OF THE DEVELOPING COUNTRIES. ITS ECONOMY HAS GREATLY
SUFFERED DURING PROLONGED PERIODS OF UNSETTLED CONDITIONS
THAT IT HAS UNDERGONE; THE POSITION STILL CONTINUES TO BE
SHORT OF NORMALCY. THE ECONOMIC POSITION OF THE COUNTRY
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IS VULNERABLE AND CRITICAL. INDUSTRY HAS BEEN NO MORE
THAN MINIMAL AND AGRICULTURAL PRODUCTION HAS SUFFERED FROM
THE VICISSITUDES THROUGH WHICH THE COUNTRY HAS PASSED. IN
RECENT YEARS, RECORDED EXPORT EARNINGS HAVE BEEN LESS THAN
\$3 MILLION PER ANNUM WHILE RECORDED ANNUAL IMPORTS HAVE
BEEN BETWEEN \$39 MILLION AND \$56 MILLION. THE BUDGET IS
HEAVILY DEPENDENT ON SUBSTANTIAL GRANTS MADE BY COUNTRIES

PARTICIPATING IN THE FOREIGN EXCHANGE OPERATIONS FUND.

6. PHASE 1 OF THE NAM NGUM PROJECT WAS UNDERTAKEN THROUGH A FINANCING FUND SET UP BY COLLABORATION OF VARIOUS DONOR COUNTRIES; THE WORLD BANK ACTED AS ADMINISTRATOR. THE FUNDS THAT WERE BEGIN UNDERLINE THEN END UNDERLINE CONTRIBUTED WERE ON AN UNTIED GRANT BASIS (LAST THREE WORDS UNDERLINED).

THE ECONOMY OF LAOS HAS NOT, SINCE THEN, IMPROVED DRAMATICALLY IN ANY WAY.

7. AS A "LEAST-DEVELOPED" COUNTRY AMONG THE LESS-DEVELOPED ONES, LAOS WOULD SEEM TO MERIT TREATMENT ON THE LINES RECOMMENDED AT THE ELEVENTH ANNUAL HIGH-LEVEL MEETING OF THE DEVELOPMENT ASSISTANCE COMMITTEE OF THE OECD (PARIS: OCTOBER 1972):

" OFFICIAL DEVELOPMENT ASSISTANCE TO (LEAST DEVELOPED) COUNTRIES SHOULD PREFERABLY BE IN THE FORM OF GRANTS AND THE AVERAGE GRANT ELEMENT OF ALL COMMITMENTS FROM A GIVEN DONOR SHOULD EITHER BE AT LEAST 86 PER CENT TO EACH LEAST-DEVELOPED COUNTRY OVER A PERIOD OF THREE YEARS, OR AT LEAST 90 PER CENT ANNUALLY FOR THE LEAST-DEVELOPED COUNTRIES AS A GROUP".

8. I WOULD LIKE TO SUGGEST THAT INDIVIDUAL CONTRIBUTIONS BE SUBSTANTIAL AND SIGNIFICANT (AND NOT MERELY TOKEN IN AMOUNT). SHOULD, FOR ANY REASON, EXTENSION OF ASSISTANCE ON AN UNTIED GRANT BASIS BE IMPOSSIBLE FOR ANY OF THE CONTRIBUTOR COUNTRIES, I WOULD URGE THAT ASSISTANCE IN THE FORM OF A LOAN BE MADE AVAILABLE ON THE BEGIN UNDERLINE MOST END UNDERLINE CONCESSIONAL TERMS POSSIBLE, AS FOR INSTANCE, ON TERMS EXTENDED BY THE INTERNATIONAL DEVELOPMENT ASSOCIATION TO LIMITED OFFICIAL USE

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ITS BORROWERS. I WOULD ALSO LIKE TO POINT OUT THAT THE WITHHOLDING OF MOST CONCESSIONAL TERMS BY ONE, OR A FEW, CONTRIBUTORS MAY PRESENT PROBLEMS FOR OTHER CONTRIBUTORS WHO MIGHT OTHERWISE BE WILLING TO EXTEND SUCH TERMS; AND I THEREFORE WOULD REQUEST THAT THE UTMOST EFFORTS BE MADE BY EVERY POTENTIAL PARTICIPANT TO ACCORD THE MOST FAVORABLE TREATMENT POSSIBLE IN THE EXTENSION OF LOAN FINANCING TO LAOS FOR THE PROJECT.

9. THE COST TO LAOS, AND THE FACILITY OF OPERATION, OF A MULTILATERAL FINANCING SCHEME, COULD BE MADE MOST FAVORABLE IF POTENTIAL PARTICIPANTS ARE WILLING TO CONSIDER THE UTMOST DEGREE OF BEGIN UNDERLINE UNTYING END UNDERLINE,

BOTH IN TERMS OF AREA OF PROCUREMENT AND IN TERMS OF USE TO WHICH (WITHIN THE TOTAL SCOPE OF THE PROJECT) CONTRIBUTIONS COULD BE PUT. THIS WOULD INCLUDE, INTER ALIA, THE UTILIZATION OF CONTRIBUTIONS TO MEET THE LOCAL COST OF THE PROJECT; THE CASE FOR SUCH FINANCING, STRONG IN MANY DEVELOPING COUNTRIES, IS OF PARTICULAR VALIDITY IN THE CASE OF LAOS WITH ITS PREDOMINANT DEPENDENCE ON EXTERNAL ASSISTANCE EVEN FOR ITS BUDGET.

10. I WOULD GREATLY APPRECIATE IT IF YOU COULD KINDLY TRANSMIT THIS, MY PERSONAL APPEAL, TO YOUR GOVERNMENT FOR DUE CONSIDERATION IN ITS PREPARATION FOR THE FORTHCOMING MEETING. UNQUOTE
SULLIVAN

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